

Message Text

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ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3309

C O N F I D E N T I A L BUDAPEST 1551

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJ: HUNGARIAN 1975 CLAIMS AGREEMENT PAYMENT

RAISED BY BANK PRESIDENT LASZLO

REF: BUDAPEST 1445, 1324 AND 489; STATE 110114

1. DURING AMBASSADOR'S MAY 19 COURTESY CALL ON NATIONAL BANK PRESIDENT LASZLO, LATTER USED OCCASION TO RAISE ISSUE OF HUNGARIAN GOLD COIN SHIPMENTS TO U.S. HE STRONGLY CONTESTED CLASSIFICATION OF COINS AS HUNGARIAN EXPORTS FOR CLAIMS AGREEMENT ASSESSMENT PURPOSES. LASZLO STATED THAT USG DECISION TO CLASSIFY COINS AS COLLECTORS ITEMS UNDER SIC NO. 89605 WAS ERRONEOUS SINCE ONLY ITEMS NOT MADE OF GOLD AND NOT MADE OF SILVER COULD BE GIVEN THIS CLASSIFICATION. HE SAID THAT RESEARCH BY HIS STAFF HAD UNCOVERED U.S. COURT DECISION WHICH HELD THAT AS MOVEMENT OF GOLD COINS HAD MORE OF A MONETARY CHARACTER THAN A TRADE CHARACTER, SUCH MOVEMENTS SHOULD BE CONSIDERED FINANCIAL TRANSACTIONS AS OPPOSED TO TRADE. ALSO HE SAID HE UNDERSTOOD THAT FOREIGN TRADE YEARBOOK PUBLISHED BY DEPARTMENT OF COMMERCE REGULARLY, TRADITIONALLY AND PROPERLY EXCLUDES ALL COINS MADE OF ANY ALLOY FROM ITS STATISTICS.

2. TO BUTTRESS HUNGARIAN CASE, LASZLO ASSERTED THAT THE GOLD CROWNS SHIPPED TO U.S. IN 1974 WERE NEVER REPEAT
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NEVER HUNGARIAN PROPERTY. HUNGARIANS HAD SOLELY PERFORMED

PIECE WORK IN CONVERTING OR TRANSFORMING COINS FROM PLANCHETS TO REPLICAS OF OLD HUNGARIAN CROWNS. THERE MIGHT HAVE BEEN A MISUNDERSTANDING CONCERNING OWNERSHIP OF COINS, LASZLO CONTINUED, BECAUSE OF FACT THAT COINS SHIPPED DIRECTLY TO U.S. FOLLOWING MINTING IN PVNRBRY RATHER THAN BEING RETURNED TO SWISS OWNER. (COMMENT: LASZLO'S ASSERTION CONFLICTS WITH INFORMATION GIVEN EMBASSY BY FEKETE ON FEBRUARY 14 THAT COINS SHIPPED BY MNB BACK TO SWISS BANK WHICH HAD PROCURED GOLD AND SWISS RE-EXPORTED GOLD COINS TO U.S. AND ELSEWHERE FROM SWITZERLAND -- BUDAPEST 489.)

3. LASZLO DID NOT INDICATE WHAT ACTION GOH PLANNED TO TAKE REGARDING ITS 1975 CLAIMS ASSESSMENT. HE DID SAY SUM AT STAKE RELATIVELY SMALL ONE EVEN BY HUNGARIAN STANDARDS, CLEARLY IMPLYING THAT GOH COULD PAY FULL 1975 ASSESSMENT IF IT CHOSE TO. HE EMPHASIZED THAT GOH FAITHFULLY TRYING TO DISCHARGE CONTRACTUAL OBLIGATIONS WHICH IT ASSUMED IN 1973 CLAIMS AGREEMENT. HE EXPRESSED REGRET TINGED WITH BITTERNESS THAT THIS DECISION BY USG WAS CAUSING SIGNIFICANT COMPLICATIONS. HE SAID IT APPEARED TO SOME IN BUDAPEST THAT CERTAIN ELEMENTS IN U.S. INTENTIONALLY WISHED TO ARREST OR IMPEDE DEVELOPMENT TOWARD NORMAL BILATERAL RELATIONS.

4. HAVING HEARD LASZLO OUT, MCAULIFFE EXPRESSED APPRECIATION FOR FORMER'S FRANK PRESENTATION. HE SAID HE WAS HAPPY THAT LASZLO HAD NOT WASTED VALUABLE TIME IN MEANINGLESS PLEASANTRIES. THE ONLY WAY TO AVOID MISUNDERSTANDINGS WAS TO DISCUSS ISSUES IN A PRACTICAL, FRANK WAY. MCAULIFFE SAID HE HAD BEEN BRIEFED ON GOLD COIN QUESTION IN WASHINGTON BEFORE COMING TO BUDAPEST AND THAT EMBASSY STAFF HAD PROVIDED ADDITIONAL BACKGROUND. HE WAS NOT FAMILIAR WITH TECHNICAL CLASSIFICATION CRITERIA WHICH LASZLO HAD CITED NOR WITH U.S. COURT DECISION LATTER BELIEVED PERTINENT TO CASE. THESE WERE MATTERS FOR STUDY BY AND CONSULTATION BETWEEN EXPERTS. HOWEVER, HE COULD SAY THAT HE HAD HEARD FOR THE FIRST TIME A FEW MOMENTS BEFORE FROM LASZLO'S LIPS THAT HUNGARY HAD NEVER HAD PROPRIETARY INTEREST IN OR TITLE TO ORIGINAL GOLD OR

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RESULTING COINS. MCAULIFFE SAID HE ASSUMED HUNGARIAN AUTHORITIES POSSESS DOCUMENTS SHOWING THEY HAD PERFORMED A SERVICE AND HAD NEVER TAKEN TITLE TO GOLD. THIS WOULD BE A NEW FACTOR WHICH HAD NEVER BEEN MENTIONED TO HIM BEFORE BY U.S. OFFICIALS; AND IT COULD HAVE MATERIAL BEARING ON EVENTUAL OUTCOME. LASZLO REAFFIRMED THAT THIS IS THE CASE AND THAT GOH CAN PROVIDE SUPPORTING EVIDENCE IN DUE COURSE THROUGH NORMAL DIPLOMATIC

CHANNELS.

5. COMMENT: LASZLO'S REMARKS APPEAR TO BE OPENING
ROUND IN ORCHESTRATED GOH OFFICIAL REPLY TO U.S. NOTE
REQUESTING 1975 PAYMENT ON CLAIMS AGREEMENT. EMBASSY
UNABLE TO DETERMINE VALIDITY OF LASZLO'S STATEMENTS.
WHEN EMBASSY OFFICER IN LATER CONVERSATION PRESSED
MNB OFFICIAL FOR MORE SPECIFICS CONCERNING LASZLO'S
STATEMENT, HE WAS AGAIN TOLD THAT ADDITIONAL INFORMATION
WOULD BE FORTHCOMING IN NEAR FUTURE UNDER COVER OF
OFFICIAL MFA NOTE.

MCAULIFFE

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